

**NEW JERSEY DIVISION OF TAXATION
TECHNICAL BULLETIN**

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OUTSIDE DIVISION X

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TAX: GROSS INCOME TAX

TOPIC: CHANGE IN RATES FOR 1996

INCOME TAX RATES REDUCED

P.L. 1995, c.165, approved July 4, 1995, reduces the New Jersey Gross Income Tax rates for all taxpayers for tax years 1996 and thereafter. When combined with the 5% rate reduction for all rate brackets enacted as P.L. 1994, c.2, and the additional 10%, 2.5% and 1% rate reductions (according to rate bracket) enacted as P.L. 1994, c.69, this new reduction results in cumulative tax rate decreases from the 1993 taxable year levels of 30%, 15% and 9%, depending on taxable income level.

The new rates for taxable years beginning on or after January 1, 1996 are as follows:

Filing Status	Taxable Income	Tax Rate
<i>Married, Filing Joint Return</i>	\$0 — \$20,000	1.4%
	\$20,001 — \$50,000	\$280 plus 1.750% of the excess over \$20,000
<i>or</i>		
<i>Head of Household</i>	\$50,001 — \$70,000	\$805 plus 2.450% of the excess over \$50,000
	\$70,001 — \$80,000	\$1,295.50 plus 3.500% of the excess over \$70,000
<i>or</i>		
<i>Qualifying Widow(er)</i>	\$80,001 — \$150,000	\$1,645 plus 5.525% of the excess over \$80,000
	Over \$150,000	\$5,512.50 plus 6.370% of the excess over \$150,000

Filing Status	Taxable Income	Tax Rate
<i>Single</i>	\$0 — \$20,000	1.4%
<i>or</i>	\$20,001 — \$35,000	\$280 plus 1.750% of the excess over \$20,000
<i>Married, Filing Separate Return</i>	\$35,001 — \$40,000	\$542.50 plus 3.500% of the excess over \$35,000
and	\$40,001 — \$75,000	\$717.50 plus 5.525% of the excess over \$40,000
<i>Estates and Trusts</i>	Over \$75,000	\$2,651.25 plus 6.370% of the excess over \$75,000

CUMULATIVE RATE REDUCTION

For tax years 1994 and 1995, New Jersey individual income tax rates were reduced by a total of 15%, 7.5% and 6% depending on the taxpayer's rate bracket. Rates have been reduced again for taxable years 1996 and thereafter. The cumulative decreases in New Jersey income tax rates from their 1993 levels are shown below.

Filing Status: Married, Filing Joint Return Head of Household* Qualifying Widow(er)		Filing Status: Single or Married, Filing Separate Return and Estates and Trusts	
Taxable Income	% Change Income Tax Rates 1993–1996	Taxable Income	% Change Income Tax Rates 1993–1996
\$0 — \$80,000	–30%	\$0 — \$40,000	–30%
\$80,001 — \$150,000	–15%	\$40,001 — \$75,000	–15%
Over \$150,000	–9%	Over \$75,000	–9%

* Nonresident aliens who otherwise meet the requirements may file as Head of Household for New Jersey purposes, even though they are unable to claim that status for Federal purposes.

The following tables illustrate the effect of the rate reduction on the amount of tax due:

Married, Filing Joint Return, Head of Household, Qualifying Widow(er)

Taxable Income	Tax			
	1993	1994	1995	1996
\$ 52,000	\$1,220.00	\$1,159.00	\$1,037.00	\$ 854.00
85,000	2,675.00	2,541.25	2,298.15	1,921.25
175,000	8,650.00	8,217.50	7,851.60	7,105.00

Single, Married Filing Separate Return & Estates and Trusts

Taxable Income	Tax			
	1993	1994	1995	1996
\$33,000	\$ 725.00	\$ 688.75	\$ 616.25	\$ 507.50
45,000	1,350.00	1,282.50	1,171.90	993.75
82,000	3,790.00	3,600.50	3,436.40	3,097.15

Estimated Tax Payments

Any individual (resident or nonresident) who expects their New Jersey income tax liability to be more than \$100, after subtracting withholdings and credits, must make New Jersey estimated tax payments using Form NJ-1040-ES. Taxpayers should take the new income tax rates into account when calculating the amount of their estimated tax payments for 1996. Estates and trusts are not required to make New Jersey estimated tax payments.

Withholding Rates

Because of the reduction in tax rates for taxable years beginning on or after January 1, 1996, new withholding tables will be required. Revised withholding tables will be mailed to employers when available.

*For more information, contact the Division's Tax Hotline at 609-588-2200 or write to the Division of Taxation, Taxpayer Services Branch, Office of Communication, CN 281, Trenton, NJ 08646-0281. Many commonly used State tax forms are now available by fax through the Division's NJ TaxFax service. Call NJ TaxFax from your fax machine at 609-588-4500 to obtain the form you need or a list of available forms. The form(s) referenced in this bulletin may **not** be currently available.*